

GAS MARKET PARAMETER REVIEW 2018 GWCF WORKSHOP

November 2017

PRESENTED BY ROGER SHAW



AGENDA SLIDE

1. Introduction
 2. Approach
 3. Parameters being reviewed
 4. Parameters being modelled
 5. Timeline
 6. Market Reform presentation
 7. Next steps
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- The bottom of the slide features a decorative graphic consisting of multiple thin, overlapping lines that form a series of wavy, horizontal bands. These lines are colored in shades of orange and red, matching the background gradient. The waves are more pronounced on the left side and fade towards the right.

- Gas Market Parameter Review 2018
 - Discussed at June 2017 GWCF
 - Review DWGM and STTM market parameters together and in parallel with NEM reliability panel review
 - Rule change required to align STTM review time frame
 - AEMC has made new STTM rule to review STTM parameters by 30 Apr 2018

Market Parameter	STTM	DWGM
Market Price Cap (MPC) / VoLL	\$400 / GJ	\$800 / GJ
Cumulative Price Threshold (CPT)	\$440 (MMP +10%)	\$1,800
Administered Price Cap (APC)	\$40 / GJ	\$40 / GJ
CPT Horizon	7 gas days	35 intervals
Minimum Market Price (MMP)	\$0 / GJ	\$0 / GJ

- Market parameters should:
 - Be valid for a long period
 - Change only when they are:
 - Found to be defective in some aspect
 - Subject to changes in cost structure
- Review used to identify any deficiencies
 - MMP
 - CPT Horizon
- Modelling used to explore potential deficiencies and cost structure changes
 - MPC / VoLL
 - CPT
 - APC

AEMO is seeking feedback on approach:

- At this workshop
- In response to consultation paper

- The primary purpose of the CPT is to cap price risk over a period of time
- The CPT horizons in NEM, STTM & DWGM are aligned at 7 days duration
 - The Reliability Panel is assessing the level of the CPT only
 - The function of the CPT over 336 trading intervals (7 days) is not being assessed
 - *Section 3.4.1 Reliability Panel, 'Review of reliability standard and settings guidelines', final guidelines, 1 December 2016, Sydney*

AEMO is not proposing any changes to the 7 day CPT horizon

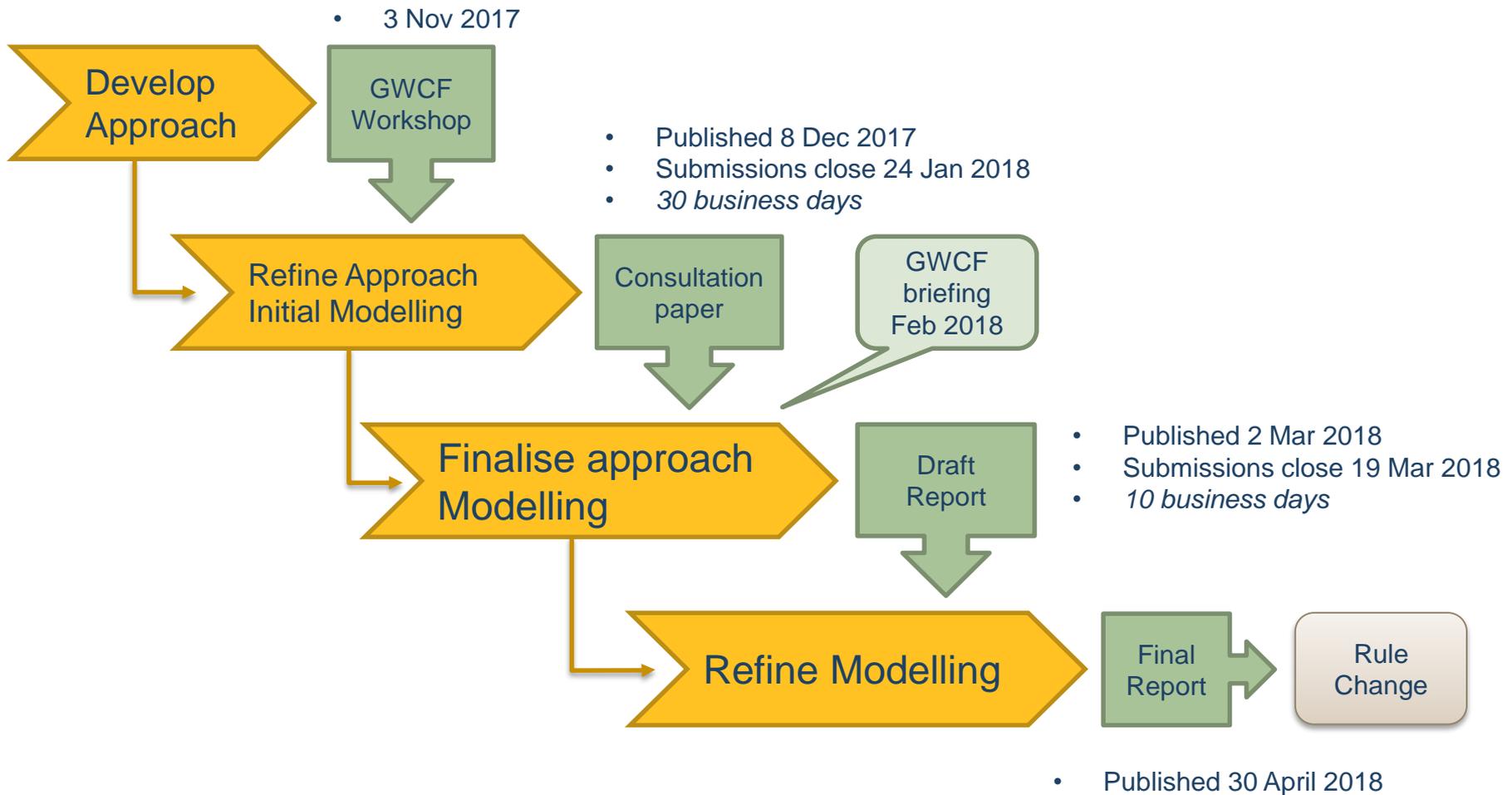
- Consistency with NEM
- No reason to consider there are deficiencies

- The minimum market price is set:
 - sufficiently low as to not constrain the schedule
 - at a level below which an MP would not sell gas (other than as a physical hedge to offset their own withdrawals)
- MMP is currently \$0 per GJ in both STTM and DWGM
- The NEM has a negative minimum market price
 - Allows negatively priced offers to ensure dispatch and avoid stopping and starting generators for short periods
- Limited benefit for negative offers in gas
 - Gas injections normally uniform over scheduling horizon, so no short run stop/start cycles likely outside LNG
 - Tie breaking at \$0 does happen, but likely this would shift to any negative price

AEMO is not proposing any changes to the minimum market price of \$0 per GJ

- AEMO requested proposals for modelling
 - 3 responses received
 - Proposal by Market Reform Pty Ltd was successful
- Market Reform will present their approach separately:
 - Background, Market Context & past reviews
 - Proposed approach, modelling methodology & data
- Approach will be refined in response to:
 - Inputs from this workshop
 - Results of initial modelling
 - Consultation process
 - Consultation paper to be published in December 2017
 - Draft report to be published in March 2018

GAS MARKET PARAMETER REVIEW 2018 TIMELINE



QUESTIONS & DISCUSSION



MARKET REFORM PRESENTATION



QUESTIONS & DISCUSSION



- AEMO will circulate notes from the workshop
- AEMO will publish Consultation paper by 8 Dec 2017
 - Includes Market Reform consultation report
 - Open for submissions to 24 Jan 2018
- Market Reform present modelling findings to GWCF at February 2018 meeting
- AEMO will publish Draft Report by 2 March 2018
 - Includes Market Reform draft report
 - Open for submission to 19 March 2018
- AEMO will publish Final Report by 30 April 2018
 - Includes Market Reform final report